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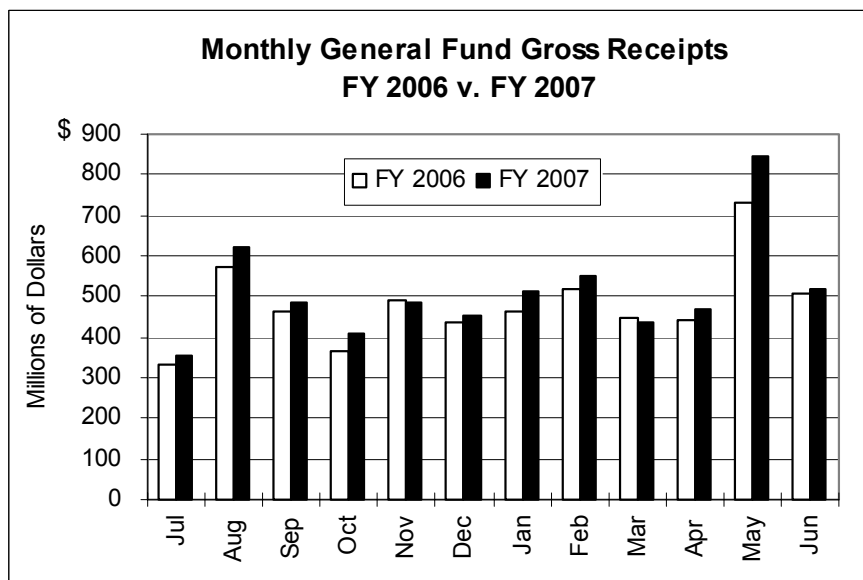
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: July 2, 2007

Monthly General Fund Receipts through June 30, 2007

The attached spreadsheet presents total FY 2007 General Fund gross cash receipts, with comparable figures for actual FY 2006. The figures can be compared to the FY 2007 estimate of \$6.109 billion set by the Revenue Estimating Conference (REC) on April 6, 2007. The FY 2007 estimate was an increase of \$338.4 million (5.9%) compared to actual FY 2006 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The next REC meeting has not been scheduled.



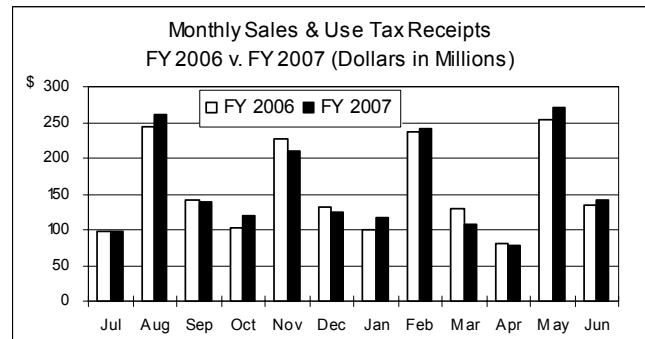
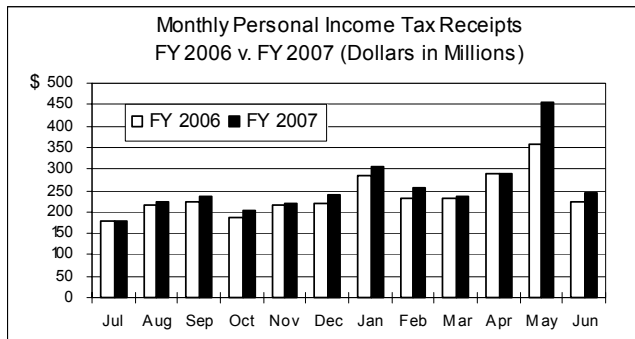
FY 2007 Compared to FY 2006

Total gross cash receipts increased \$367.6 million (6.4%) compared to FY 2006, \$29.2 million more than projected. Major revenue sources contributing to the change include:

- Personal Income Tax (positive \$231.7 million, 8.1%)
- Sales/Use Tax (positive \$28.9 million, 1.5%)
- Corporate Tax (positive \$76.0 million, 21.8%)
- Other Taxes (positive \$20.4 million, 5.9%)
- Other Receipts (positive \$10.4 million, 3.0%)

Personal Income Tax revenues received in June totaled \$242.4 million, an increase of \$19.9 million (8.9%) compared to June 2006. Withholding payments increased \$24.0 million while payments with returns decreased \$4.1 million.

The FY 2007 REC Income Tax estimate of \$3.034 billion represented a projected increase of 6.3% compared to actual FY 2006. For the cash year, total Income Tax receipts increased 8.1%. By subcategory, withholding payments increased 5.6%, estimate payments increased 11.1%, while payments with returns increased 24.5%. The following chart compares FY 2007 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2006.



Sales/Use Tax receipts received in June totaled \$141.6 million, an increase of \$7.2 million (5.4%) compared to June 2006.

The REC estimate for FY 2007 Sales/Use Tax receipts was \$1.906 billion, an increase of 1.3% compared to actual FY 2006. For the cash year, Sales/Use Tax receipts increased 1.5%. The preceding chart compares FY 2007 monthly Sales/Use Tax receipts with FY 2006.

Corporate Tax receipts received in June totaled \$47.8 million, a \$13.5 million decrease (- 22.0%) compared to June 2006. Corporate Tax receipts have shown strong growth since February 2003, and the comparison month of June 2006 was exceptionally strong.

The REC estimate for FY 2007 Corporate Tax revenue was \$440.5 million, an increase of 26.4% compared to actual FY 2006. For the cash year, Corporate Tax revenue increased 21.8%.

Other tax receipts received in June totaled \$64.0 million, a \$5.6 million increase (9.6%) compared to June 2006. Insurance Premium Tax receipts were down \$8.8 million for the month while Cigarette and Tobacco Tax revenue increased \$14.9 million. The Cigarette Tax rate increased from \$0.36 per pack to \$1.36 per pack in mid-March.

The REC estimate for FY 2007 receipts from other taxes was \$378.7 million, an increase of 10.2% compared to actual FY 2006. For the cash year, other tax receipts increased 5.9%. Insurance Premium Tax revenue was \$11.7 million below the estimate, while Cigarette and Tobacco Tax revenue exceeded the estimate by \$0.3 million.

Other receipts (non-tax receipts) received in June totaled \$24.3 million, a \$6.8 million decrease (- 21.9%) compared to June 2006. Liquor profit and Unclaimed Property Fund transfers were down for the month.

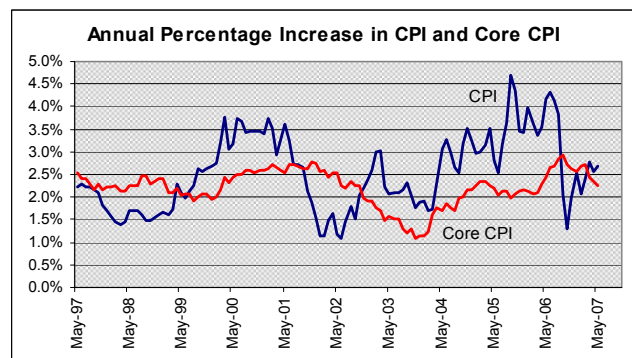
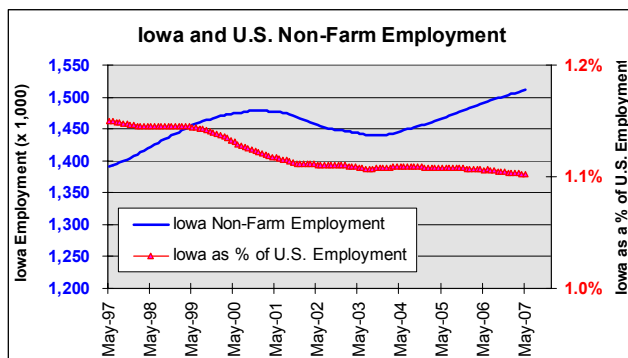
The REC estimate for FY 2007 other receipt revenue was \$350.3 million, an increase of 2.0% compared to actual FY 2006. For the cash year, other receipts increased 3.0%.

Tax Refunds issued in June totaled \$32.0 million, a \$10.3 million increase (47.5%) compared to June 2006. The REC estimate for FY 2007 refunds was \$568.8 million, a decrease of \$17.4 million (3.0%) compared to actual FY 2006. Fiscal year-to-date (accrual basis), refunds are \$4.1 million (0.7%) above the same period last year. Tax refunds issued in excess of the estimate will offset a significant portion of the \$29.3 million in cash revenue received in excess of the FY 2007 REC estimate.

Status of the Economy

Iowa non-farm employment was reported at 1,537,200 for the month of May (not seasonally adjusted), 17,900 higher (1.2%) than May 2006.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was January 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,510,700, so annualized Iowa non-farm employment is 31,900 above its 2001 peak and 70,700 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since early 2002, but the trend remains negative.



Consumer prices increased 0.6% during the month of May (not seasonally adjusted). The Consumer Price Index (CPI-U) through May 2007 was 207.949 (1983/84=100), 2.7% higher than one year ago. The overall inflation rate has generally increased since mid-2004, when the price of oil started to rise significantly.

Core CPI, an inflation measure that excludes food and energy prices, did not change in May and the year-over-year change was 2.2%. The core inflation rate declined considerably from the early 1990's through March 2004. From March 2004 through September 2006, inflation as measured by core CPI more than doubled, moving from 1.2% to 2.5%. During the most recent nine months, the rate of increase in core inflation has declined.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2006 vs. FY 2007 July 1 through June 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 06 Actual Compared to FY 07 REC Estimate		
	FY 2006	FY 2007	Year to Date % Change	June % Change	Actual FY 2006	Estimate FY 2007	Projected % Change
Personal Income Tax	\$ 2,854.2	\$ 3,085.9	8.1%	8.9%	\$ 2,854.2	\$ 3,033.9	6.3%
Sales/Use Tax	1,881.1	1,910.0	1.5%	5.4%	1,881.1	1,905.7	1.3%
Corporate Income Tax	348.6	424.6	21.8%	-22.0%	348.6	440.5	26.4%
Inheritance Tax	73.1	76.0	4.0%	1.8%	73.1	75.9	3.8%
Insurance Premium Tax	121.4	105.2	-13.3%	-24.8%	121.4	116.9	-3.7%
Cigarette Tax	89.5	122.0	36.3%	157.0%	89.5	122.2	36.5%
Tobacco Tax	9.2	12.1	31.5%	27.3%	9.2	11.6	26.1%
Beer Tax	14.2	14.3	0.7%	7.1%	14.2	14.2	0.0%
Franchise Tax	35.5	33.3	-6.2%	-14.8%	35.5	36.9	3.9%
Miscellaneous Tax	0.6	1.0	66.7%	0.0%	0.6	1.0	66.7%
Total Special Taxes	\$ 5,427.4	\$ 5,784.5	6.6%	4.0%	\$ 5,427.4	\$ 5,758.8	6.1%
Institutional Payments	13.0	12.9	-0.8%	-7.7%	13.0	12.6	-3.1%
Liquor Profits	63.8	64.8	1.6%	-29.1%	63.8	66.8	4.7%
Interest	17.5	28.7	64.0%	200.0%	17.5	29.0	65.7%
Fees	76.2	84.7	11.2%	64.5%	76.2	81.8	7.3%
Judicial Revenue	63.1	66.9	6.0%	-7.9%	63.1	64.3	1.9%
Miscellaneous Receipts	49.7	35.7	-28.2%	-64.0%	49.7	35.8	-28.0%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 5,770.6	\$ 6,138.3	6.4%	2.4%	\$ 5,770.7	\$ 6,109.1	5.9%